

CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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Industrial Planning Institutes

1. Almost every branch of industry in Hungary had its own planning institute or planning office depending on the size of the industry. Such planning institutes and planning offices were charged with the elaboration of the technical production plans for particular industries. One of the largest planning institutes was the Machine Industry Planning Institute (Gepipari Tervezse Intezet), which had a number of branch offices.
2. The number of employees in a planning institute in some cases was as high as 600 persons, while the employees in a Planning Office did not exceed 100. The staff employed in planning institutes and planning offices consisted of engineers, technicians, technical draftsmen, and auxiliary administrative personnel.
3. The technical personnel belonged to the old, prewar generation, and very few of them belonged to the Hungarian Workers' Party. Some were former Party members who had been excluded from the Party because of their social origin, but kept on in their jobs for their technical knowledge. Because of this, these offices were poor territory for Communist propaganda, and leading Party members used to refer to the personnel in Planning Institutes and Planning Offices as "reactionary society". Of all Government offices, the percentage of Party members in these offices was the lowest. Usually only the chiefs of offices and employees in the personnel and administrative offices drawn from the workers' cadre were Party members — hardly five per cent of the entire staff. The Party was well aware of the political atmosphere in the planning institutes and offices, but it was unable to do anything about it because of the shortage of indoctrinated technical personnel.

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4. It was generally known in Hungary that there was a serious shortage of technical personnel. The Five Year Plan provided for training of 5,000 engineers by the end of the plan in 1954. But by 1952 very little progress had been made. In my estimation the number of trained technical personnel will not exceed 2,500 by 1954, or half of the projected number.
5. In order to combat this shortage in indoctrinated technical personnel and to assure production, the Party went so far as to recruit civilian and army engineers from the labor camps, even those who had been condemned by law to as much as 10 years of forced labor. The authorities told them openly that they needed them because of their technical knowledge. They gave them their freedom and even high salaries on condition that they apply themselves to their jobs to the best of their abilities. At the same time the authorities reminded these engineers that if they committed sabotage or failed in their assignments, the next time they were arrested they would be sent straight to the gallows.
6. Planning institutes and planning offices maintained close contact with the investment enterprises, with the investment departments of industrial enterprises, and with the technical development divisions and investment departments of technical ministries. The industrial enterprises prepared lists of their needs for new machines, new electrical and power generating equipment and new factory and office buildings within the investment plan budget. They also included information on the productive capacity of the machines, work progress, etc. At the same time they instructed the respective planning institutions to prepare the plans. After examining the plans, the planning institutions set the time limit for the completion of new projects or rejected particular parts, either because they were not within the scope of the general plan, or because the planning institution did not believe that production was possible in Hungary.

Investment Enterprises

7. Investment enterprises (Beruhazasi Vallalatok) were given orders to set up new factories, power plants, and scientific institutes. For example, the General Machine Industry Investment Enterprise (Altalanos Gepipari Beruhazasi Vallalat), Dohany utca 40, Budapest VII, was charged with setting up 12 new machine factories within the Five Year Plan period. The investment enterprises determined within which year of the Five Year Plan the work had to be begun and completed and at what production tempo (uetem terv) the work was to be done. The actual construction work was controlled by the Ministry for which it was done.
8. The investment enterprises, after preparing their plans, forwarded them to the planning institutions for completion of technical drawings and partial investment plans. Because all Investment Enterprises or investment departments of such enterprises dealt with the preparation of partial plans for most diversified technical investment, they commissioned several planning institutions at the same time.
9. The Heavy Industry Investment Enterprise (Nehezipari Beruhazasi Vallalat -- NEB), Sztalin ut 113, Budapest VI, was in charge of industrial investment in the Stalin Iron Works (Sztalin Vasmue). The NEB was subordinate directly to the State Planning Office (Orszagos Tervhivatal). The total expenditure for the construction of the Stalin Iron Works within the Five Year Plan had been set at four billion forints. However, because of the increase in prices of materials the plan had to be increased to six billion forints.

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The NEB requested the services of the Planning Office for Town Building (Varosépítő Tervező Iroda), Madách Imre tér 4, Budapest VII, the Planning Institutes for Foundry Industry, Machine Industry, Pyrometric Industry, Power Plant Equipment Industry, Chemical Industry and others for the building of Stalin Town and the Stalin Iron Works. In addition NEB commissioned numerous sub-enterprises for various detail work.

Steps Involved in New Construction at the DIMAVAG Machine Factory

10. The DIMAVAG Machine Factory obtained permission from the State Planning Office for the construction of a five-story building. The permission was obtained on the basis of preliminary plans submitted to the Machine Industry Division of the Foundries and Machine Industries Ministry and forwarded by the latter to the State Planning Office.
11. Simultaneously with the granting of the permission for the construction of the office building, the State Planning Office opened a plan unit account (tervegyesszámla), in the amount approved for the expenditure on the project, with the Hungarian Investment Bank (Magyar Beruházási Bank), for the benefit of the Investment Department (Beruházási Osztály) of the DIMAVAG factory. The account was at the disposal of the Investment Department of DIMAVAG on the first day of the plan year.
12. The State Planning Office then notified the Investment Department of the Machine Industry Division in the Foundries and Machine Industry Ministry of this act. At the same time it transmitted to DIMAVAG Investment Department the preliminary plans for the project, with the instructions that this Investment Department, on the basis of the preliminary plan, after necessary amendments and corrections, prepare a final investment plan and transmit it within 60 days to the State Planning Office for approval.
13. The Investment Department of DIMAVAG entrusted the Planning Office for Constructions (Építési Tervező Iroda) with the preparation of blueprints. On the basis of the completed technical blueprints the Investment Department of the DIMAVAG asked the Enterprise for Above and Below Surface Construction (Magas és Mélyépítő Vállalat) to submit a cost estimate. This Enterprise, upon examining the blueprints asked other construction enterprises for partial cost estimates. Upon receiving them it prepared a total cost estimate and forwarded it to DIMAVAG.
14. On the basis of this total cost estimate the Investment Department of DIMAVAG prepared a final financial plan in three copies and sent them to the Foundries and Machine Industries Ministry, where this plan was examined and suggestions were made before it was sent for final approval to the State Planning Office.
15. Of the three copies of the final plan, one was retained by the State Planning Office for filing, one was sent to the Investment Department of the Foundries and Machine Industries Ministry, and the third copy was sent to DIMAVAG with the text of the permit to carry out the project.
16. Upon receipt of the permit, DIMAVAG ordered the Enterprise for Above and Below Surface Construction Work to begin work on the office building. This enterprise turned to sub-contracting enterprises for the equipment of the building. The total work to be done was divided into four periods, with the order and extent of the work to be completed in each period specified.

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17. All the preliminary steps described above were taken [redacted] the DIMAVAG Machine Factory had the funds at its disposal in the account with the Hungarian Investment Bank. It was thus in a position to instruct the bank to transfer definite sums of money to the account of the Enterprise for Above and Below Surface Construction with the Hungarian National Bank. The Investment Department of the DIMAVAG was allotted a certain amount of money in cash to cover small expenses.

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19. The whole project, including the equipment of the building, was completed as planned [redacted]

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20. Of the money allotted for the project, some 400,000 forints were still left in DIMAVAG's account with the Hungarian Investment Bank. DIMAVAG asked the Foundries and Machine Industries Ministry for permission to transfer this amount to the account for another project for which the funds granted by the State Planning Office were not sufficient. This permission was granted.

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